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Accenture Retirement Services Survey Part II

Disruption and innovation pose fundamental questions for life insurers

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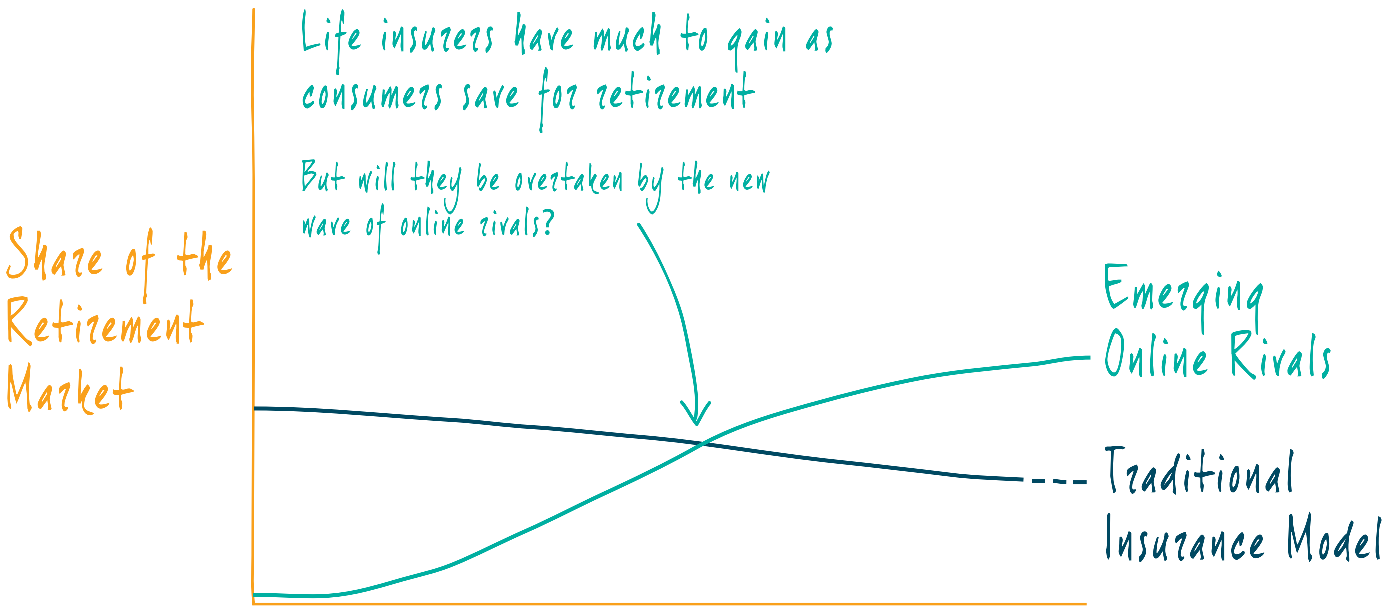

Critical times for life insurers

The global retirement services market has reached a critical juncture. Radically new forces are buffeting the traditional model, which is under severe threat as customers abandon the floundering ship. New competitors, with new business models and capabilities, are making their presence felt, attracted by a vast pool of potential savings which seems to be up for grabs. And everyone is waiting anxiously to see who the winners will be when the shake-up is complete – if it ever is.

Life insurance companies have the most to lose. They view retirement services as one of their core offerings, and they recognize it as their best opportunity for growth – consumers may be deferring their purchase of life insurance, but they know they need to start saving now to avoid outliving their money. Yet insurers are no longer perceived as the obvious advisors for retirement planning or the best custodians of the man in the street's savings. To retain a share of this market they will have to fight for it.

But who will they be fighting, and what will it take to win?

Accenture has conducted a wide-ranging survey[1] of innovative new businesses that are jostling for a share of the retirement services market. Some are on the periphery of what is conventionally regarded as financial services, while others are confronting established players head-on. Most are capitalizing on the potential of new technologies such as advanced analytics, mobility and social media. All are striving to engage with consumers on the consumer's terms, offering not just a set of transactions linked to an investment product, but solutions that help enable the lifestyle they aspire to. The majority of the start-ups which our research focused on endeavor to connect with their customers' higher-level interests, either by invoking the things they care deeply about or becoming the hub of an ecosystem that meets a higher percentage of their interests and needs.

The chances are that most of these innovators will fail. But some will succeed, and will become serious contenders for life insurers' share of the retirement services market. All of them, in one form or another, highlight the ways in which the market is transforming. The question is whether insurers will fall prey to these nimble new rivals, will simply fade from the scene as increasingly out-of-touch relics, or will revamp their business and operating models to compete effectively in a much more demanding environment.

In this report, we argue that there are three key steps insurers need to take to increase their relevance: provide a tailored experience that meets their customers' expectations, embrace regulators to drive innovation, and explore the potential of ecosystems to address more of their customers' needs and aspirations. Those that succeed in these crucial areas will be the high performers of tomorrow.

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A huge but elusive opportunity

The opportunity in retirement services is, for all practical purposes, infinite. A global Accenture consumer survey[2] found, at the end of 2012, that 47 percent of adults across all income and geographical groups are extremely concerned about the general lack of provision for people's old age. Eighty-two percent are worried about their own prospects after retirement (Figure 1).

Fifty-four percent say it is important that they save now for their retirement (Figure 2), with 60 percent admitting they need to ramp up their level of savings – to an average of 17 percent of their monthly pre-tax income (Figure 3). This adds up to an immense opportunity.

Making it even more attractive is the fact that public-sector and employer funds have, to a significant degree, been taken out of the picture. Only 3 out of 10 consumers believe a government scheme will guarantee their standard of living when they stop working. Employer funds are generally perceived to be inadequate at best and insolvent at worst. Most people realize the onus is squarely on them.

Why, then, are insurance companies not showing strong growth? The reasons are many and complex.

Lack of trust

If people were not aware of it before, the financial crisis in Cyprus made the point: there is no such thing as money. The global financial services edifice rests on confidence, and when that is shaken the money simply evaporates. Consumers – already more skeptical than their counterparts in previous generations – were shocked by the crash of 2007/8. Financial services firms suffered unprecedented reputational damage, and insurers will have to work harder than ever to persuade consumers to trust them with their life savings.

In the meantime, a number of new online businesses are betting that consumers today have greater faith in individuals and communities than enterprises, and are making headway by offering access to "the wisdom of crowds".

Perceptual disconnect

Compounding this mistrust is the fact that most life insurers and most consumers are simply no longer on the same wavelength. Insurers view the world from a product perspective. They group their customers according to "who will buy this product" and structure their organizations along product lines, with little integration other than a consolidated monthly customer statement. Consumers, on the other hand, do not care much about insurance – not the products, or the transactions, or the complicated jargon. What they do care about is things that facilitate the lifestyle they desire and address their needs and intentions at a simple and personal level. The majority of insurers are not able to engage with their customers in this more flexible and responsive way.

Figure 1. Consumers are concerned about their retirement prospects.

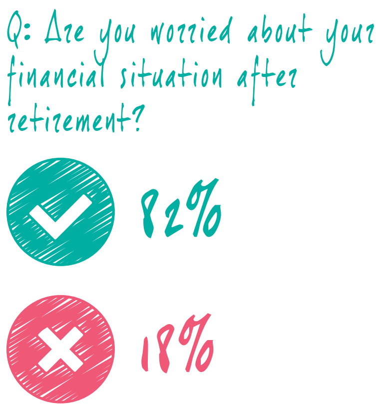


Figure 2. Consumers are ready to take responsibility for their post-retirement finances.

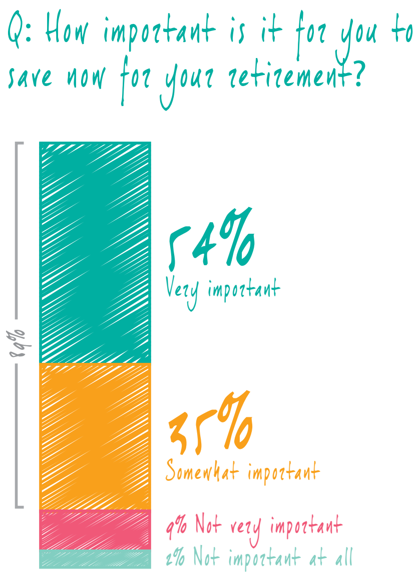


Figure 3. Consumers say they are willing to invest an average of 17 percent of their income to prepare for their retirement.

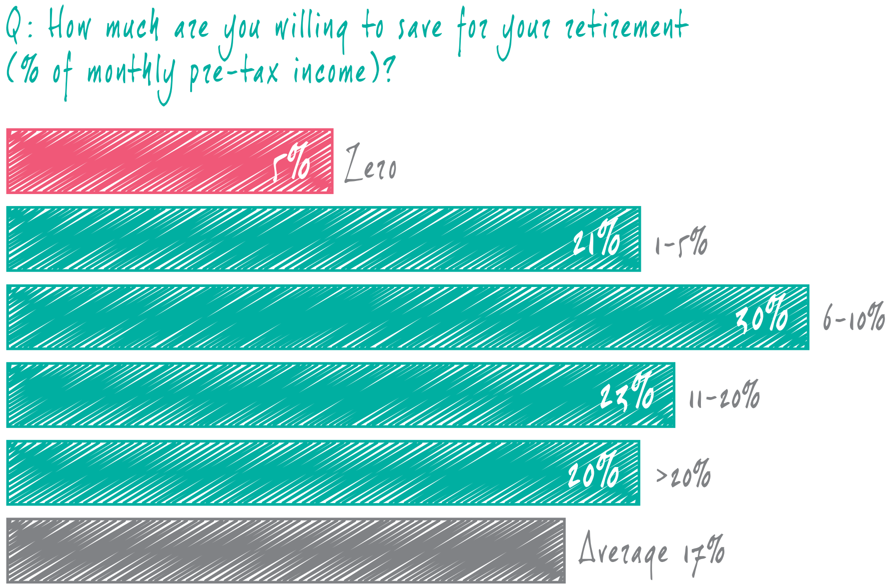
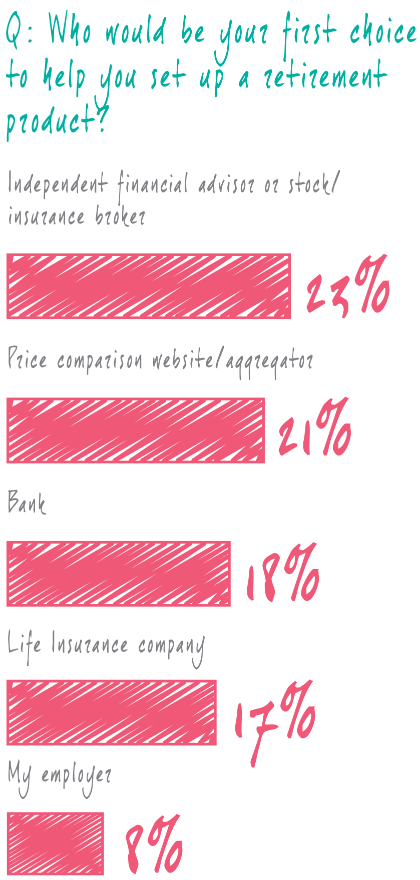


Figure 4. Life insurers are not consumers' first choice when it comes to investing for retirement.



Low awareness and engagement

Insurers have generally done a poor job of promoting their retirement products and services – the Accenture survey found that 20 percent of consumers have never been approached by a life insurer to discuss their retirement options, and 45 percent have never received, from a life insurer, information on retirement that is easy to understand. The result is that 86 percent have limited or no awareness of the retirement products offered by life carriers. When consumers' circumstances change in ways that affect their current affordability or their future needs, leading them to review their retirement investments, only 17 percent would think of contacting a life insurance company as their first choice (Figure 4).

Shifting expectations

Innovation across a broad front – from online service provision and mobile communication to social networking and gaming – has caused a radical and rapid shift in the ways consumers connect, engage and transact. Insurers have struggled to adapt. Many consumers feel their carriers are not in sync with their needs and how they choose to address them. This perception is heightened by the advent of a new generation of online providers that talk the language of the modern consumer and, as our research confirms, approach their needs in a more holistic way.

New offerings

In addition to reaching consumers via the channels they prefer, and in a dialog that makes them feel more than mere recipients of an offering, the new breed of financial service provider is introducing a brand new set of products. While the success of most is yet unproven, they are learning from what has worked for their contemporaries – the Amazons, Googles and Facebooks of the world – and have the advantage of being less encumbered than insurers by entrenched operating models and the scrutiny of regulators.

These are just some of the factors that have put life insurers on the back foot as they compete for consumers' retirement investments. The old business model that served insurers well through the ages has outlived its usefulness and is no longer suited to the needs of today's customers. If they are to avoid becoming irrelevant they will need to rethink their approach without delay – because the game has changed and will continue to do so.

Transformation – an uncomfortable prospect

Transformation is a popular theme among business school lecturers and futurists who ply the speaking circuit. Businesspeople may enjoy reading about it, but contemplating the transformation of your own organization is another thing altogether.

It goes without saying it is risky and expensive. It is also complex and pervasive. It entails much more than the launch of new products or even new divisions. Invariably it demands a degree of corporate restructuring, not to mention a shift in culture. The sheer size of many insurance firms makes transformation a massive undertaking. All of which explains why it is often unpopular.

Conservative executives often dismiss transformation, claiming there is insufficient justification for an offensive strategy. Others argue that, given the pace at which the business is being reinvented and the influx of innovative new competitors, it is more of a defensive than an offensive strategy.

It is becoming increasingly clear that life insurers are not suitably positioned to compete in tomorrow's retirement market. If it is to provide them with the growth they urgently need, they will have to recognize and respond to its new defining characteristics:

Simplicity

It has often been argued that, in earlier times, life insurers had a vested interest in creating complex retirement products – it concealed the inefficiency of some of their investment products and gave them a mystique that warranted the commissions and fees charged. In recent times, with the Internet encouraging many consumers to research their retirement options on their own (or aided by "the wisdom of the crowd"), simplicity has become an important attribute for providers that are targeting the high-volume end of a younger, digital-savvy market.

To appeal to these consumers, products must have a clear value proposition – online researchers seldom have the inclination to read long, arcane descriptions. Accenture's research reveals that the start-ups that are achieving traction not only have products that are easy to comprehend, but also engagement models (for example websites or mobile apps) that are simple and intuitive. This not only allows the customer to move swiftly from research to purchase, but also enables the provider to scale its distribution more effectively.

Simple products may lack the features, the relevance and some of the safeguards of their more carefully crafted counterparts. But they can be more easily understood, and they are quicker, easier and cheaper to sell. Most importantly, they are what the market is demanding.

Disruptor:

Futureo

Frenchman Marc Baillet was struck by a 2010 consumer survey that found that almost two out of three of his compatriots believed alternative, innovative solutions were needed to help them finance their retirement. Futureo is a loyalty program founded by him to meet this need.

Customers pay €45 (US$59) a year to belong to the scheme. Their Futureo MasterCard gives them access to a network of hundreds of leading and smaller French retailers, both bricks-and-mortar and online. An average of three to four percent of the value of their everyday purchases is invested in an interest-bearing savings account that can later be withdrawn as cash or diverted to Futureo Life, a retirement-oriented insurance service managed by Generali.

The simplicity of the site and Futureo's ease of use has contributed significantly to the popularity of the service. While it does not claim to solve its members' retirement problems, it does help them jumpstart and supplement their savings with very little effort on their part.

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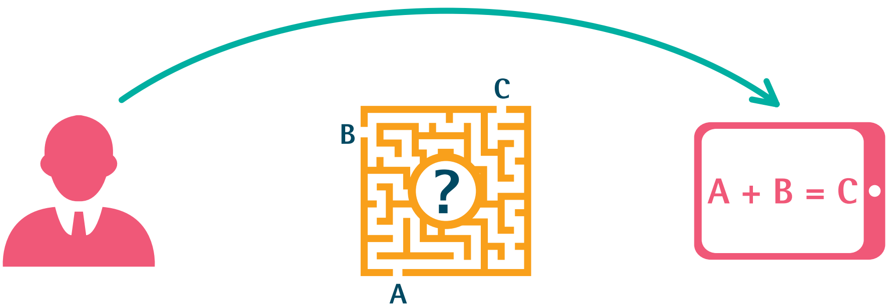

Product innovation

In addition to simplicity, Accenture's research confirms that consumers are being offered innovation on an unprecedented scale. Flying below the radar of the regulators, empowered by versatile digital tools and almost limitless data, and inspired by the spectacular success of so many Internet pioneers, new financial service providers are springing up every day.

Some offer new products, others simply a new way of distributing conventional products. Some are independent, a number are affiliated to established financial services firms, while others represent a tentative advance into the sector by companies leveraging their large customer bases, distribution networks or other strengths. Most are adept at digital marketing, exploiting search engines and social networks to gain widespread awareness without a large promotional investment.

Many focus narrowly on consumers, helping them better manage their affairs or offering them facilitated access to a variety of complementary services. The more successful ones engage their customers on the customers' terms, addressing their needs and intentions at a higher level than most conventional product-centric firms can manage.

Many life insurers are skeptical about the long-term impact of these new, mostly small trailblazers. They point to the fact that few have managed to gain a significant market share. This overlooks the fact that, as a group, they have achieved notable growth – while the insurance industry has lost ground. As one industry analyst told Accenture's researchers, "there may be no single competitor that currently threatens to take the market away from the life insurers, but they do face the prospect of death by a thousand cuts as these newcomers proliferate."

Even if the threat is not that the innovators will supplant life insurers, they may force them into different, less attractive roles. "Google won't get into the insurance business" claimed one executive to an Accenture consultant, who agreed with him. "Why would they want to? They're more likely to outsource it ... to you."

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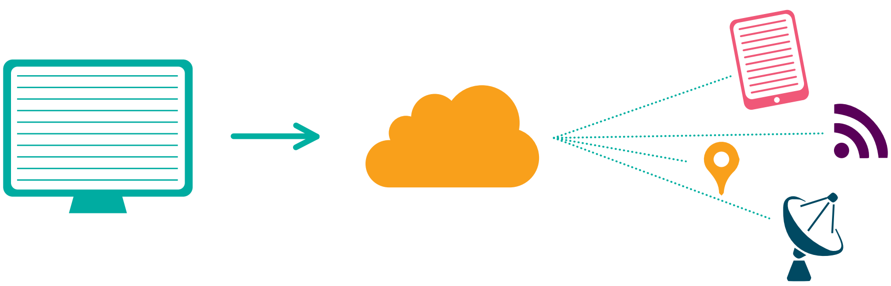

Disruptor:

SmartyPig

SmartyPig is an online saving service that aims to engender a "save-then-spend" mentality among its customers – and then reward them for meeting their saving targets.

A free account can be fed by regular deposits from the customer's linked conventional bank accounts, cash windfalls, and an average yield of 1 percent. Once the account has some money in it, funds may be transferred to a prepaid card which can be used to pay for purchases at any merchant that accepts MasterCard. Whenever it is used, 1 percent of the purchase amount is transferred to either the card or the savings account as a SmartyPig Cash Reward. When the savings target is reached, customers can transfer their balance or redeem their money in the form of buying vouchers from any of SmartyPig's retail partners – such as Amazon, Macy's and Best Buy. With the latter option they gain additional cash rewards of up to 11 percent of the saved amount.

The company has partnered with BBVA Compass, which holds and invests the funds. SmartyPig also offers a white-label service to other banks that want to attract new customers with a target-saving product.

"SmartyPig started off very quietly," commented one financial services analyst. "But it's brought all of its partners together into a neat, innovative package, it's used social media to drive the business, and since then it's exploded. I'm a fan!"

Advice at scale

A vital part of becoming more relevant to consumers is solving the advice conundrum: how to provide sound advice in a way that most customers want to receive it, and at a cost they are willing to pay. Much has been written about the changing role of the financial advisor, which in the past comprised planning, execution and management. Recent legislation has constrained the first of these, while the Internet has made it easier for consumers to execute on their own.

A more subtle change has been the shift in the kind of support customers expect from their advisor. They have little time for – and trust in – those whose focus is predominantly on their products. They are more likely to establish enduring relationships with advisors who understand the kind of lifestyle they aspire to, and can help them decide on the wide range of financial and other services that will enable them to achieve it. To an increasing degree these advisors will emulate a life coach, offering personalized financial solutions and access to an ecosystem of related providers who can all contribute to the desired lifestyle.

While these advisors will probably be able to command a fee for their services, those simply selling their products will find it increasingly difficult to justify their commissions. A growing number of consumers attach little value to personal interaction and are happy to glean recommendations from social networks, the media and other online sources – even though they would admit that what is right for others is not necessarily the best advice for them. The wisdom of the crowd may not be as relevant and knowledgeable as the wisdom of the expert, but it is readily available, widely trusted, and free.

Technological innovation is also luring consumers away from traditional advisors. Accenture's research has found a growing number of online advisory services – the Money Advice Service offers both general and specific advice in a variety of formats, while firms like Just Retirement offer free guides, calculators and simulators to help consumers work out where they stand and what they need to do to meet their savings goals. FutureAdvisor (alongside) provides automated but personalized investment recommendations for its online customers, emphasizing that its income is unaffected by whether or not its advice is acted upon. In a market in which many experts are compromised, this is key to its credibility.

If all of these factors are combined with the rapidly diminishing number of financial advisors who are entering the market, it is hard to dispute the claim that the days of the historical model are numbered. Insurers will either have to develop products that can be sold with limited advice that can be delivered automatically, or they will have to concentrate their efforts on the low-volume affluent sector of the market.

Disruptor:
FutureAdvisor

A pair of former Microsoft engineers took a bet, a few years ago, that their algorithms could not only provide their customers with personalized investment advice, but could generate better returns than most professionals. The rapid growth of FutureAdvisor suggests they were right.

This automated online service relies on a computer program that encapsulates established portfolio-management principles. The customer's existing investment portfolio – including her 401(k) – is evaluated every quarter in terms of factors such as age, risk tolerance, investment time horizon and market performance. Recommendations are sent that enable the customer to rebalance her portfolio.

The basic advice service is free, and FutureAdvisor gets no commission on the investments it proposes. It makes its money by providing an execution service for those who want the system to carry out the changes on their behalf.

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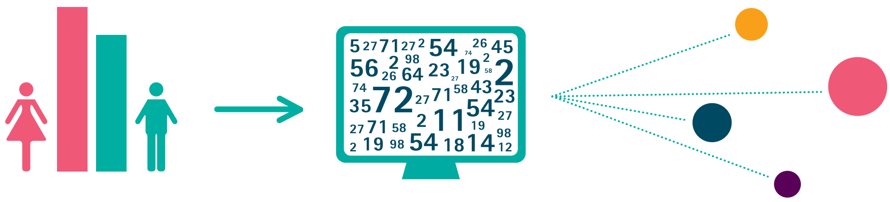
Big data and the decline of pooling

Since its earliest days insurance has relied on the pooling of risk. Insurers lacked detailed information about individual customers, and had to use a few basic demographics to form groups of customers. The assumption was that everyone in the group had a broadly similar risk profile.

Big data and advanced analytics are changing all that. Life insurers today are gaining access to rich information based on individual customers' lifestyles, their medical records and health status, and the choices and risks they face. This allows carriers not only to offer annuities and other products that are priced much more competitively, but also to cross-sell more effectively.

Unfortunately, it is not only insurers that are collecting, analyzing and finding new uses for this wealth of data. Carriers run the risk of being sidelined by those that are quicker and more innovative in finding ways of exploiting big data to offer consumers more relevant products and services.

In the past, everyone in a customer segment was treated as if they had a broadly similar risk profile. Big data and advanced analytics are changing that.



Disruptor:

LearnVest

US entrepreneur and Harvard drop-out Alexa von Tobel believes she has solved the challenge of providing independent, personal investment advice at a price most middle-class consumers can afford. She has done it by building a hub of a few dozen advisors and using technology to maximize their efficiency.

For a $399 set-up fee and $19 a month, customers get an initial detailed diagnostic interview with their assigned advisor, during which they share their status and goals. LearnVest then links all their accounts and investments to an online "money center" which gives both parties visibility of transactions and other changes. The advisor develops a personalized seven-step plan for achieving the customer's goals, and uses the system's flags and alerts to keep the customer on track. The service includes unlimited phone and e-mail interaction with the advisor.

In order to scale, LearnVest needs to recruit and train more advisors. But it has significant financial backing, from American Express among others, which is also considering a distribution partnership with the start-up.

Disaggregation and ecosystems

One of the most important trends in business through the turn of the century has been the outsourcing of those functions which specialist firms can perform better, more quickly or less expensively, allowing the client organization to focus on the things it does best. Apple and Nike are just two examples that have made the headlines.

Insurance has been relatively slow to follow, but recent developments are increasing the pressure. Rising customer expectations will force the less adaptable firms to admit they can no longer be all things to all people. In addition, the entry of new players that limit their operations to parts of the insurance value chain – such as distribution – creates the opportunity for insurers to sell them the parts they lack.

The industry is likely to become more fragmented as the trend continues. Firms will re-evaluate their roles more rigorously and with fewer preconceptions. They will divest themselves of the operations that hold them back, and will find partners that allow them, in combination, to offer a more competitive service.

A related development is the likely proliferation of ecosystems comprising multiple specialist providers, designed to offer consumers a portfolio of services that result in a more compelling customer value proposition. Discovery, a leading South African health and life insurer, manages an extensive ecosystem that includes fitness clubs, sporting event organizers, programs like WeightWatchers and SmokeEnders, and a host of retail, recreation and travel partners – all designed to help its customers enjoy a healthier, richer life.

The role of the insurer within such an ecosystem will depend on what it has to offer that is uniquely valuable – if it is advice, then it may be the risk manager; if it is a strong balance sheet it may be something quite different. Whatever it is, if it allows the carrier to take the initiative in such an ecosystem, it will improve its chances of remaining relevant as it strives to address the needs and intentions of its customers.

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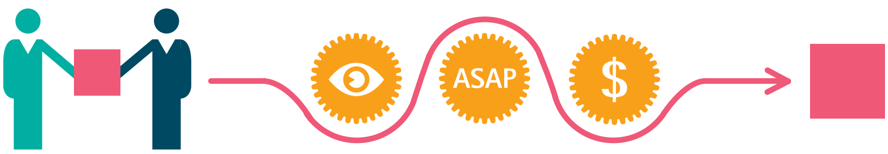

Disruptor:
Age UK

"Growing older doesn't come with a manual," so Age UK aims to fill the gap.

This charity organization provides a wide range of services, from helping pensioners optimize their finances and look after their health to offering HandyVan home maintenance services and lobbying the British government on old-age issues. It claims to have helped more than 6 million consumers in 2012.

Age UK's non-profit status, together with high satisfaction levels with the help and advice it provides via its website, call center and local branches, have enabled it to build strong customer relationships.

It is funded by donations and sponsorships, and income from events, sales of new and second-hand items through its network of 470 retail outlets, and a wide range of financial and other services. It has formed partnerships with insurance companies, investment firms and travel advisor websites, from which it earns commissions on facilitated sales. These commercial activities generated US$165 million of its total 2012 income of $253 million, which was 7 percent up on the previous year.

Enterprise-centricity vs human-centricity

Many insurers are struggling to grasp the shift from enterprise-centricity – where companies control how insurance is created, promoted, selected and sold – to a more fluid situation where individuals and peer-groups have much more influence on all of these aspects.

Crowd-funding, crowd-innovation, peer reviews and recommendations, and even crowd-vertising are making it a lot easier for disruptive start-ups to gain traction. Regulatory constraints are helping to change the old dynamic, transferring power from insurers to their customers.

Together these trends are enabling consumers to play a bigger, less dependent role in planning their retirement – in some cases turning their backs on established players that fail to harness the potential of the individual and the crowd.

What does all this mean for insurers?

All of these factors combine to produce a highly volatile marketplace. It is changing rapidly and in ways that only the brave will predict with any degree of confidence.

As our research found, insurers are surrounded by dozens of brash start-ups that are offering consumers innovative products and services. In effect, they are testing all the things people are saying about consumers' evolving needs and preferences, and about the market-changing potential of digitization, mobility, geo-localization, analytics, social media and other emerging technologies. The majority of these fledglings will surely stutter and fail. But from this fertile breeding ground we are likely to see the emergence of the new, customer-centric financial-services leaders of the future.

The current breed of life insurers can certainly participate in this dynamic new world; even lead it. But not with their existing strategies, business models and operating systems. The industry is changing, and to preserve and grow their market share they too will need to change.

Disruptor:

Australian Unity

Australian Unity is a mutual company that provides healthcare, financial and retirement lifestyle services to more than 620,000 customers. As a 172-year-old veteran it stands apart from the majority of newcomers that are challenging traditional business models.

Australian Unity has shaped its diversity in line with the needs of its customers. Its broad span of offerings – from insurance and retirement investment to healthcare facilities and old-age homes – not only meet many of the most pressing needs of its customers, but ensure that the firm is deeply integrated into their lives. Trust and confidence are high, which greatly facilitates cross-selling.

The company grew its revenues by 10 percent in 2012, to US$1.02 billion, with operating earnings of $31.4 million. It has $467 million in retirement development projects under way.

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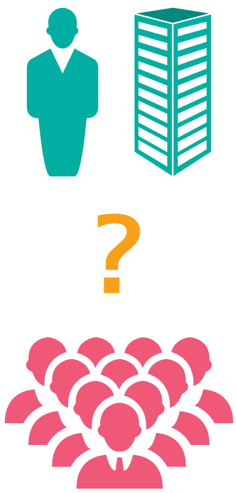


Disruptor:

Passion Investments

"More than philanthropy, more than just an investment."

Passion Investments offers customers the opportunity to diversify their portfolios into areas which they care deeply about and have always wanted to become involved in, but have perhaps lacked the time or the access. From sport, the arts and food or wine, to health and science, the firm channels funds to small businesses, medical institutes, ventures such as new feature films, golf clubs and many more.

The benefits are not only a significant financial return "more often than not", but also participation in the organization receiving the investment. This may range from the right to declare oneself a patron, and getting special access to the organization and its events, to assisting in its management. As many of the investments qualify as social responsibility, the benefactors may qualify for favorable tax treatment.

Passion Investments charges its customers an annual fee of one percent of the amount invested.

Insurers need to place their bets in the high-stakes retirement services game

Consumers the world over have made clear their intention to escalate their rate of saving and investment to prepare for retirement, a fact which is confirmed by Accenture's research. This represents a huge prize for the players who choose to compete for a share. But the ticket to the game is delivering an experience which links intentions to products and services that are relevant to today's consumers. What do life insurers need to do to achieve and sustain this relevance?

Gain a deep understanding of the customer

Consumers are no longer happy to be treated as part of a large aggregated group. Nor do they have to be – the massive increase in the availability of data, both from within the insurance organization and from external sources, allows carriers to acquire much deeper, more pertinent, and more up-to-date and actionable insights into their customers.

What is holding many of them back is not the lack of data but the lack of the right data – structured as well as unstructured data from all parts of the enterprise that can be integrated to provide a coherent, detailed picture. Few have acquired the ability to listen in on social media sites, learning what customers are saying about them and their competitors, as well as what's hot and what's not.

Insurers can improve their exploitation of data by starting with the outcomes they require. This will indicate the data they need, as well as the steps they need to take to obtain it. In many cases, this will include tackling the silos in which much of the data is stored. It may also include simply buying it from independent data aggregators.

Sophisticated analysis and predictive modeling are key to making the most of big data. The cloud can power this capability, helping to integrate different types of data and produce actionable insights.

Think radically about the future

It is always difficult to step outside of one's current paradigm to imagine a different future in which different competitors strive to capture an ever-changing target. But nothing less than this is required – it has become trite to observe that the things that made you successful in the past may cause your downfall in the future. The paradigm has already changed, in many respects, and a new breed of rivals who know no other way are already vying for the life insurer's customers.

Carriers need to review their strategies and business models – in fact, their relevance – in the light of their newfound understanding of their customers. They have to be decisive about what is likely to work in the future and what is not; who is likely to be a competitor and who a potential partner.

The flood of new technologies should be carefully evaluated to gauge their potential to transform the market: from mobile payments and para-currencies to geo-localization and automated advice.

The feasibility of being all things to the insurance customer needs to be questioned – if they cannot compete as both manufacturer and distributor, success may lie in specializing in discrete functions. And if they do, this may open the door to forming novel alliances with other specialists which may not be from the insurance industry. These partners may be able to introduce something radically new that dramatically alters their combined value proposition.

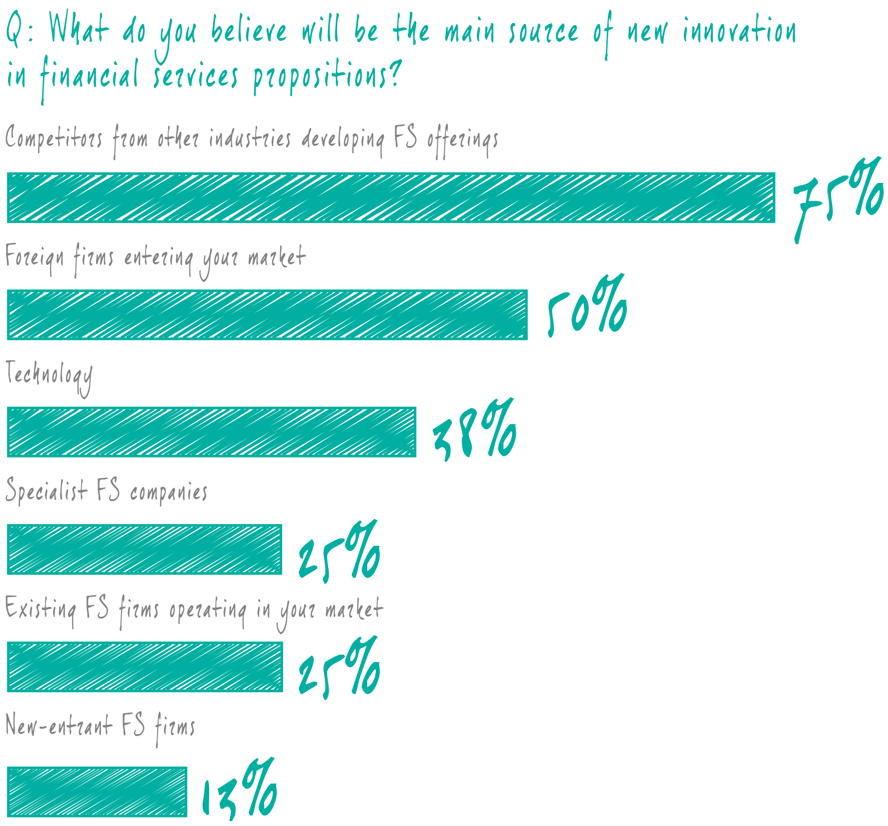
Most financial services executives recognize this potential – and threat. An Accenture survey[3] found that 75 percent expect innovation in their industry to come from new competitors from other sectors (Figure 5).

Insurers should also consider collaborating with regulators to explore new ways of meeting customers' needs. Regulators are usually viewed as adversaries, yet their objective is to force carriers to protect the interests of the consumer. Firms that embrace this goal, as an authentic step toward customer-centricity, can recruit an unlikely ally in their quest to develop meaningful innovation that helps them attract and retain customers.

With the regulator on their side, insurers can also protect their turf by urging the extension of restrictive measures to include new entrants – many of which are currently not affected by the rules that constrain large established firms.

There is every likelihood that the innovative start-ups that are nibbling at the edges of the retirement services industry will, in the future, transform key aspects of the market if not the business itself. While it may be tempting to watch from the sidelines as the players jostle for consumers' attention, this is likely to be a fatal strategy that relegates the firm to forever playing catch-up.

Figure 5. Financial services executives expect innovation to come from new competitors from other sectors.



Launching a future-market division, or taking a share in an outfit that seeks to redefine the market, would enable the traditional carrier to test new approaches, products and technologies without putting its core business at risk. It would give it a stake in the future which could be ramped up if successful, and allow it to learn what it takes to be an innovator.

The notion of hedging their bets should not be alien to life insurers, which after all are essentially investment firms that collect funds and manage them until they are required to return them. Exploring alternative business models could be viewed, at the very least, as a defensive strategy that protects them against irrelevancy.

Develop new capabilities

A clearly defined strategy and business model will make it easier to identify the capabilities needed for future success. In many cases these will be different from those which delivered success in the past. Without a doubt, things like analytics, mobility and social media will be key. It is also probable that the way in which these capabilities are acquired will be different, given that they involve a high degree of specialization, they may need to be obtained quickly, and there would be uncertainty regarding capacity and permanence.

They could be acquired externally, by forming alliances with business partners that are strong in these areas. Outsourcing is likely to play a greater role, especially in speculative ventures where the speed of take-up – if not the feasibility itself – is hard to predict.

Only a few insurers are currently exploiting the infrastructural advantages of a hybrid cloud environment that utilizes provision models such as infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS). Leveraging cloud services would allow new capabilities to be developed in months rather than years, and in a manner that would keep costs down and shift the IT investment from capital to operational expenditure. Foundational IaaS, blended with the cloud-enabled technologies of analytics and social media, promises to enable insurers to change their business models in even more profound ways, redefining their core competencies, offering new services, and building networks of partners and customers they could not access in the past.

Become authentically customer-centric

This is probably the most important priority of any insurer seeking growth, whether in retirement services or other lines of business. Effective use of data and analytics will allow the carrier and its partners to understand their customers; the next key step is to manage personalized relationships at scale.

Insurers have to explore segmentation attributes which go beyond the handful of demographics and wealth levels which many are using. Big data can provide access to many more behavioral, lifestyle and psychographic attributes, while predictive modeling can help identify those that define the segments. And while it may be counter-intuitive to some, the nature of a segment does not need to be tied to a persona; it needs simply to identify a propensity which supports the need for a tailored experience.

As the segmentation and propensity identification process may generate in excess of 50 distinct segments it would be advisable for most firms to start slowly before scaling up the operation. Segmentation is only the start of the journey. The next steps are to define the experience strategy, carry out experience design, and deliver an array of tailored, multi-channel experiences.

The last of these can only be done with an industrialized experience engine that generates a steady stream of hypotheses, and proposes offerings and actions across the spectrum of segments. It can help agents personalize their approach for each of their customers, combining their individual sales technique with the recommended treatment for the relevant segment – all the while maintaining a consistent "dialog" with their customers across both human and digital channels.

Feedback is essential. The success of every engagement is measured and looped back into the experience engine so that the segmentation and the recommended treatments can be evaluated and further refined.

New channels, location-based services and mobility will all help to meet the goal of giving customers the services they want, when they need them, and wherever and however they prefer to receive them. The orchestration of marketing, sales and service delivery becomes possible when a single view of the customer, at all contact points, is enabled.

By building relationships at scale, insurers can dispel the perception of product- and enterprise-centricity. They will shift their focus from transactions to human and community interactions, which is key to restoring trust and loyalty.

Only the few will rise to the challenge

The business of insurance is transforming. Most insurers are already feeling the intense pressure of disgruntled consumers, aggressive regulators, and a host of new competitors whose potential to harm them is impossible to fathom.

Beyond these difficulties lies the big prize: a global retirement investment market of unprecedented proportions.

The challenge facing life insurers is to understand what it will take to win in this new environment, and acting accordingly. It is our belief – which is supported by the numerous research studies we have conducted – that there are three key steps which carriers must take to achieve high performance in retirement services:

1. Focus your efforts on providing an experience that is tailored, that meets your customers' expectations, and that differentiates you from your competitors.
2. Embrace regulators to drive innovation that provides real value to your customers.
3. Explore the potential of an ecosystem that delivers a broader set of offerings, addressing more of your customers' needs and aspirations.

For the majority of insurers, this will require significant change. Most will fall short of the mark, as transformation demands more than the average firm can bring itself to deliver. For those that succeed, however, the rewards will be substantial and enduring.

To find out more about this topic, and how Accenture can help you achieve high performance in the retirement market, visit our website at www.accenture.com/insurance.

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About Accenture Research

Accenture Research is Accenture's global organization devoted to Economic and Strategic Studies. The staff consists of 150 experts in economics, sociology and survey research from Accenture's principal offices in North America, Europe and Asia/Pacific.

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Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

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